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October 18, 2011

The Honorable Julius Genachowski
Chairman
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Dear Chairman Genachowski:

As you are aware, the Universal Service Fund (USF) is in desperate need of modernization. Despite the sea change occurring in the telecommunications landscape over the past decade, the USF High-Cost program continues to focus on voice technology and perverse incentives that have caused the fund to grow to its current annual level of \$4.5 billion. The program also currently fails to recognize the role broadband plays in the communications landscape. I was encouraged to see the Federal Communications Commission (the Commission) undertake comprehensive High-Cost Fund reform.

As this modernization moves forward, I would like to urge the Commission to focus on the fundamental tenets of reform. An efficient USF program will ease the financial burden on ratepayers, provide support only where it is necessary, offer all telecommunications providers an equal opportunity to deploy to an unserved area and consider the broadband deployment landscape in the coming years. While I am concerned with the Commission's current plans for reform, I recognize the important social and economical goals that result from extending broadband to areas that are currently unserved.

Americans have long paid additional, government approved fees on their monthly phone bills. In many cases, the existing limit on these fees has been found to allow for full cost recovery or over-recovery. Given the current state of our economy, the Commission should be mindful of allowing any further increases on cash-strapped Americans. Indeed, in sending his recent jobs proposal to Congress, President Obama highlighted a primary goal of the legislation being to "put more money in the pockets of working Americans." This is a goal shared by Congress. I urge you to consider these efforts as the Commission moves forward with reform.

Any improvements to the USF program will be difficult to attain without additional scrutiny to ensure funding is only directed to areas which truly require government support. Over the years,

telecommunications providers have been successful in encouraging customers to subscribe to multiple services and add-ons – achieving much sought after additional revenue streams to ameliorate the higher costs associated with offering service in rural areas. The Commission should ensure that these developments are taken into account in identifying areas in need of ongoing financial support from the USF program.

As the Commission identifies areas truly in need of USF support, a primary goal should be finding the most cost-effective method for delivering the required service to unserved areas. In light of the absence of a competitive market offering the best service at the lowest price, the Commission should strive to recreate this environment in identifying a service provider across all unserved areas. Many times urban areas enjoy lower wireline and wireless deployment costs but have fewer available spectrum resources. Thus, it is important that the Commission not dedicate resources to a particular technology. Instead, the Commission should ensure the USF program provides fair consideration to any capable provider – wireless or wireline.

As these funds are fairly distributed, adequate and equitable supervision must exist to oversee this targeted support. For broadband investments that rely on government support, oversight is critical to ensure consumers are provided the services promised to the Commission at the time of disbursement. At present, states play an important role in this oversight. The Commission should be mindful of these long established efforts when reforming the Universal Service Fund.

It is also important the Commission's efforts do not have the unintended consequence of discouraging private deployment plans. Numerous networks operators have announced extensive buildout plans for their wired and wireless networks without the need for government assistance. Any displacement of private capital would be a clear government misuse of money Washingtonians desperately need. Such support should instead be targeted on a granular basis to those places truly in need of such services.

Finally, it is important the Commission provide the public with every opportunity to comment on the structure of any final USF reform plans. These changes are likely to have far reaching impacts that last for many years. As such, the public should have the ability to fully understand the Commission's plans and provide feedback prior to any agency action. True reform will only occur by integrating the feedback of all the stakeholders affected by this program.

I appreciate your efforts to modernize the Universal Service Fund and encourage you to ensure any effort in this regard follows the fundamental tenets laid out above.

Very truly yours,

A handwritten signature in black ink, appearing to read "Inslee", written over a horizontal line.

JAY INSLEE

Member of Congress



FEDERAL COMMUNICATIONS COMMISSION

JULIUS GENACHOWSKI
CHAIRMAN

November 17, 2011

The Honorable Jay Inslee
U.S. House of Representatives
2329 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Inslee:

Thank you very much for your letter regarding the Commission's efforts to reform and modernize the Universal Service Fund (USF) and the intercarrier compensation system (ICC). Your thoughts and concerns were a valuable contribution to our process, and were considered as part of the Commission's deliberations.

On October 27, after many years of hard work on Capitol Hill, among the FCC's Commissioners, and by Commission staff, the Commission unanimously adopted a comprehensive Order overhauling the broken and backward-looking USF and ICC systems for the Internet age. By transitioning these programs to the Connect America Fund, we are delivering on our shared national goal of universal voice and broadband service – including universal mobile voice and broadband service – and enabling increased private sector investment in the indispensable infrastructure of the 21st century: broadband. Importantly, our reforms are fiscally responsible, eliminating waste and inefficiency, using market-based mechanisms to target support where it is needed, and putting the Fund on a firm budget.

The Commission's Order will create jobs beginning in 2012, and lay the foundation for enduring job creation, economic growth, and U.S. global competitiveness for years to come.

For your information, I am enclosing a copy of the Order's "Executive Summary." Please let me know if I can be of any further assistance.

Sincerely,

A handwritten signature in black ink, appearing to be "J. Genachowski", with a stylized flourish at the end.

Julius Genachowski

Enclosure